

# Critical success factors for the receptiveness of Islamic home financing in Malaysia

Hanudin Amin

*Labuan Faculty of International Finance, Universiti Malaysia Sabah,  
Labuan, Malaysia*

CSFs for the  
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## Abstract

**Purpose** – The purpose of this study is to examine the critical success factors (CSFs) for the receptiveness of Islamic home financing in Malaysia.

**Design/methodology/approach** – A framework of the CSFs for the receptiveness of Islamic home financing is developed. The framework evaluates the effects of product type, competitive value proposition, Islamic debt collection policy, Islamic bankers' knowledge and *maqasid al-Shariah* compliance on the receptiveness. Data from 744 usable questionnaires are analysed to confirm the applicability of the framework in Islamic home financing context.

**Findings** – The results suggest that product type, competitive value proposition, Islamic debt collection policy, Islamic bankers' knowledge and *maqasid al-Shariah* compliance are significantly related to the receptiveness of Islamic home financing.

**Research limitations/implications** – Two limitations are available for future studies. Firstly, the respondents of this study are limited to Malaysians, signifying further testing of the proposed model across different geographies is required to determine the generalisability of the model. Secondly, the contributions of the proposed framework are confined to a specific area of Islamic banking products. Thus, extending the framework to other banking products or conducting a comparative study between Islamic home financing and its conventional peer can improve its generalisability.

**Practical implications** – The results obtained offer a fresh direction on how to market Islamic home financing products successfully, where the new CSFs are brought into play.

**Originality/value** – This study examines the new proposed CSFs for the receptiveness of Islamic home financing in Malaysia.

**Keywords** CSFs, Consumer behaviour, Islamic home financing services, Malaysia

**Paper type** Research paper

## Introduction

Recently, Malaysia is ranked first for achieving the highest mark in 'Quantitative Development Indicator'. Malaysia's Islamic banking assets were estimated at USD165 million, followed by the United Arab Emirates at USD163 million and Bahrain with a total asset value of USD75 million (ICD Thomson Reuters, 2017). Malaysia's total assets of Islamic banking grew by 8.3 per cent in 2016, which contributed to 28 per cent of the overall banking industry (Bank Negara Malaysia, 2017). The government initiatives toward Islamic banking offer a significant stimulus for the growth and the segment has been set to achieve a 40 per cent market share by 2020. This growing effort is also primarily supported by the growing number of sophisticated and customised Islamic financing products, in which Islamic home financing is one of the key segments that is contributed to the growth, out of the formation of consumer acceptance and for that it is the focus of this study.

Likewise, the taking of Islamic home financing has two key benefits. Firstly, it becomes a source of income for Islamic banks, and secondly, it serves as a financing source for a breadwinner, who lacks savings to buy a house on a cash basis. Typically, Islamic banks provide two packages of Islamic home financing products presently available—be it a debt financing or equity financing. For instance, Bank Islam Malaysia Berhad (BIMB) offers a debt-based home financing known as *tawarruq* home financing that is financed by the bank's



liability through its investment account (i.e. *al-awfar*). The home financing is provided mainly to first-time homebuyers. Similarly, Bank Simpanan Nasional (BSN) offers a *tawarruq* home financing to promote homeownership among youth and young adults by providing the Youth Housing Scheme (YHS), a financing package for those first-time homebuyers aged between 25 and 40 years old and whose monthly household incomes are not exceeding MYR10,000. Combined all, these banks give a priority to Malaysians to own their houses at a young age via a competitive financing product for greater comfort and well-being.

Currently, the volume of Islamic home financing transactions is estimated at MYR131,562 million compared with the same period in 2017 that was MYR113,262 million (Bank Negara Malaysia, 2018). This growth implies a growing preference of consumers on the segment, which, in turn, can offer them with both *halal* and competitive edge financial products for improved homeownership. Despite this growth, however, the market share of Islamic home financing is still lagged compared with its conventional peer. The present statistics suggest that the market share for Islamic home financing is stood at 26.57 per cent compared with its conventional peer that is estimated at 73.43 per cent (Bank Negara Malaysia, 2018).

The reasons are three-fold. Firstly, it is regarding indecorous conduct that has taken customers into an acute bankruptcy phenomenon and in several cases, Islamic banks have decided to override the *Shariah* ruling in the practice of Islamic home financing (Yaakob and Abdul-Rahim, 2009). Secondly, it is related to the issue of the fallacy of limited value propositions among laymen or typical consumers at large. Majority of consumers have understood the benefits to opt Islamic home financing products, out of the faith-based financing and competitive pricing, but at the same time, their decision is hindered by factors such as poor service quality and unfamiliarity with mortgages (DiVanna, 2011).

Without refinements, even the finest designed Islamic home financing is not being able to succeed in the market. Therefore, understanding the CSFs that influence consumer preferences would provide invaluable insights for bank managers to manage Islamic home financing services effectively. This paper proposes the critical success factors (CSFs) as patronage factors that have a significant impact on how successful Islamic banks can meet their aims at balancing the need of profit and social obligations for their home financing products. We examine the CSFs from the context of consumers, who are, in turn, can provide inputs to the banks for improved planning of Islamic home financing products.

To make the best selection of Islamic home financing products, it is, therefore, critical to understanding what factors facilitate or inhibit the consumer receptiveness. A considerable number of studies in the literature have examined the receptiveness of Islamic home financing. Most of these studies are drawn from conventional yardsticks. For instance, Abdul-Razak and Abduh (2012) examine the effects of attitude and subjective norm on behavioural intention using the Theory of Reasoned Action (TRA). Alam *et al.* (2012) examine the effects of attitude, subjective norm, control and religiosity on the intention to undertake Islamic home financing in Klang Valley, Malaysia. A study by Nayeem *et al.* (2009) provides a viewpoint about the requirement in introducing proper Islamic home financing products in America to help *Muslims* acquire their mortgages according to Islamic law. The viewpoint, however, is systematically provided for debates. Furthermore, Shahwan *et al.* 2013 examine the pricing issues in the *bay bithaman ajil* (BBA) and *musharakah mutanaqisah* in which they find that the elements of *maqasid al-Shariah* are important to allow cooperation between the bank and the customer. Providing a lower financing rate can help to promote an individual *Muslim* financial freedom and thus protection to his wealth.

Moreover, Amin *et al.* (2016) propose and test a more comprehensive model in which consumer factors are proposed to explain bank customers' willingness to choose Islamic home financing products. In a different context, however, Md-Zabri and Mohammed (2018) examine a consumer behavioural intention by proposing an interesting model of cash-*waqf* financial cooperative *musharakah mutanaqisah* home financing model, which opens a new

spectrum of researching Islamic home financing products from the context of Islamic social finance. In the model, Md-Zabri and Mohammed (2018) discover that attitude, subjective norm, perceived behavioural control and perceived cost advantages are instrumental in determining the formation of the consumer behavioural intention. However, due to the exposure to competitive banking products, distinct factors are likely important to shape the belief of potential customers and thus their actual behaviour. Therefore, the current study attempts to speculate that the CSFs also play an essential role in the formation of the receptiveness of Islamic home financing.

Nonetheless, there is a scarcity of studies that have satisfactorily addressed the specific CSFs in Islamic home financing context. To close the gap, this study postulates that product type, competitive value proposition, Islamic debt collection policy, Islamic bankers' knowledge and *maqasid al-Shariah* compliance are key determinants of consumer receptiveness of Islamic home financing.

Certainly, if we continue to re-operationalise common factors borrowed from conventional yardsticks, we can expect only marginal improvements in terms of consumers' receptivity that may well simply elevate costs out of incompatibility of banking philosophy and worldview gaps. In a nutshell, the purpose of this study is to examine the CSFs for the receptiveness of Islamic home financing in Malaysia.

## Literature and hypotheses development

### *The receptiveness of Islamic home financing*

In this study, the receptiveness of Islamic home financing is viewed as a dependent variable. The receptiveness is best described as the consumer willingness to choose Islamic home financing product to finance the house he bought. Various works have been directed to understand the important role of the receptiveness in the context of Islamic mortgage industry (Md-Taib *et al.*, 2008; Abdul-Razak and Abduh, 2012; Alam *et al.*, 2012). Explained selectively, a study by Md-Taib *et al.* (2008) attempts to measure how attitude and subjective norm determine consumer receptiveness.

A work by Md-Taib *et al.* (2008) has extended by Abdul-Razak and Abduh (2012) in which these two works share the same paradigm of inquiry and somewhat are influenced by the TRA when explaining their findings of consumer receptiveness of Islamic home financing. The result reported by Abdul-Razak and Abduh (2012) is in agreement with those reported by Md-Taib *et al.* (2008), in which consumer receptiveness is determined by both attitude and subjective norm.

Beyond these perspectives, Alam *et al.* (2012) have taken a different stance by including religiosity in the TPB model for improved applicability of the theory to the context of Islamic home financing. The factors suggested are influential in explaining consumer receptiveness. In all, the present study examines consumer willingness to choose Islamic home financing products by integrating the important factors identified in the literature, which can open a new perspective on what factors that can be called as the CSFs that, in turn, determine the receptiveness. These factors are identified through five interview sessions with *Shariah* scholars who are well-versed in the current's context. Likewise, the discussions of the factors are explained as follows.

### *Product type*

Prior studies report that product range has a substantial effect on the adoption of a particular system or product (e.g. Phau and Poon, 2000; Devlin, 2002; Amin, 2008; Lian and Lin, 2008; Abdul-Hamid *et al.*, 2011). For instance, Phau and Poon (2000) find that product type affects consumer decisions when choosing between traditional or online channels. This result is in

tandem with [Lian and Lin's \(2008\)](#) study, which demonstrates that different product types can influence consumer online shopping acceptance. On the same note, [Abdul-Hamid et al. \(2011\)](#) find that product type is essential to understand the adoption of Islamic home financing, and its generalisability is extended to the current context. Oppositely, [Devlin \(2002\)](#) discovers that product type has a weak influence on the selection of a home loan by the UK residents. Unlike [Devlin \(2002\)](#), [Amin \(2008\)](#) discovers that product range is a decent predictor for Islamic home financing adoption due to the existence of various *Shariah* contracts to define the product range clearly. This feature, however, is misplaced in its conventional counterpart owing to its borrowing and lending nature instead of trade and commerce, which explains why Islamic home financing is relatively better.

In Malaysia, however, there are at least three popular *Shariah* contracts that govern Islamic home financing types. The first one is BBA. According to [Rosly \(1999\)](#), the product type that includes under this *Shariah* contract is transacted based on a deferred payment basis in which the customer obtains the house first but pays later normally at the end of each month to the bank for monthly instalment (See [Engku-Ali, 2010](#)). Public Islamic Berhad and Alliance Islamic Berhad are still in place to offer the mortgage using the contract. The second one is the *musharakah mutanaqisah*. The product type under this contract is based on an equity arrangement between the bank and the customer. According to [Md-Taib et al. \(2008\)](#), the customer and the bank both contribute to the capital to acquire the object of a transaction that is a house. Typically, the customer pays 10 per cent of the cost price of the house bought whilst 90 per cent is borne by the bank. The customer tends to pay a monthly instalment to increase his share, and the ownership of the house is transferred to him once all payments are made to the bank. In between, *tawarruq* is now a popular product type and one of the banks that offer this type of product is Bank Islam Malaysia Berhad (BIMB) since 2013. Under this type of product, the bank sells the commodity at a mark-up and then the customer will appoint the bank as an agent to sell the same commodity to the third party for cash. The cash obtained is used to pay the remaining cost price of the house bought ([Hassan, 2011](#)).

Moreover, however, the Islamic banking industry suffers from the lack of product differentiation between property under construction and ready property ([Engku-Ali, 2010](#)). This means that the existing packages of Islamic home financing products are relatively insufficient to meet the demand for different types of customers who come up with different tastes to take up the products. The importance of product range in Islamic home financing context has received poor empirical support. Through our literature survey, a work by [Ahmed \(2011\)](#) has been relevant. The author suggests that there are at least three types of Islamic banking products including Islamic home financing products. These include pseudo-Islamic products, *Shariah*-compliant products and *Shariah*-based products. The first two are widely offered by Islamic banks whilst the third one is still far to reach. The first and the second are subject to debates out of legality and survival grounds. [Ahmed \(2011\)](#) also explains the significance to provide Islamic banking products to meet the needs of bank customers including the poor and the needy to promote *Shariah* compliance. Similarly, a work by [Amin et al. \(2017\)](#) ascertains the relevance of product type in Islamic home financing context. The study discovers a significant connexion between product choice and attitude, where the examination of the effect of the former on the receptiveness is relatively inconclusive, which warrants further empirical investigations. Hence, [H1](#) is hypothesised as:

*H1. Product type has a direct positive effect on the receptiveness of Islamic home financing.*

#### *Competitive value proposition*

According to [Amin \(2017a\)](#), a value proposition is defined as financial benefits that Islamic banks provide to their customers by being different from their conventional peers.

In particular, a competitive value proposition is a distinct financial feature that differentiates Islamic home financing products from their conventional counterparts. Islamic banks attempt to provide customers with a clear statement of the benefits, such as savings rate, return on investment or lower cost of services (DiVanna, 2011). Kaplan (2005) asserts that value proposition has eight generic elements that include price, quality, availability, selection, functionality, service, partnership and brand.

In another context, the issue of competitive value proposition has also been addressed by Haron *et al.* (1994) and Lympelopoulous *et al.* (2006) who associate competitive value proposition with Islamic banking and mortgage selections, respectively. In more detail, Haron *et al.* (1994) report about 26 selection criteria for banks in Malaysia. Lower interest charges on loan, lower service charge and a wide range of service offered are reported to have an impact on the adoption of banking products for both *Muslim* and non-*Muslim* customers. As such, we expect that the financial benefit and competitive financing rate are influencing the receptiveness of Islamic home financing products out of relative advantages and sentimental values that they can provide to the customers at large. Concerned with Lympelopoulous *et al.* (2006), we identify the term used to reflect competitive value proposition is that of 'product attributes' that includes interest rate, loan amount and commission. This work reports that the interest rates, the repayment terms, the fees and commissions charged, particularly, are critical for customers before selecting their mortgage banks. Given this work, we expect from Islamic home financing context, profit rates, repayment terms (flexible tenure) and financial benefits (e.g. high margin of financing, *takaful* protection, no processing fees and discount on stamp duty, to mention some) can influence customers' decision to take up the facility. Given these studies, in our current situation, however, Islamic banks have come up with competitive value proposition compared with their conventional peers for their extant products and services to capture millennials' need better, who are potential homebuyers who come with sophisticated demand of Islamic home financing products. An improved competitive value proposition can help Islamic mortgage providers to stay competitive in the industry while the assurance of fairness for all transactions can bring millennials' confidence to another stage where better awareness, acceptance and demand for the industry are highly guaranteed.

An earlier study by Ferguson and Hlavinka (2007), however, outlines five customer value propositions that include service, price, rewards, trust and confidence. In contrast, however, Titko and Lace (2012) assert that service quality and customer-bank relationship are key value propositions. In a different context, Symonds *et al.* (2007) outline convenience and a no-fee credit card are key value propositions. Ferguson and Hlavinka (2007), Symmonds *et al.* (2007) and Titko and Lace (2012) examine customer value proposition in the context of banking, which demonstrates all value propositions highlighted are suitable to meet the industry. However, extending the measurement scales from these studies directly to the present context may have a minimal impact due to a discrepancy in terms of the research setting and scope (Kaplan, 2005; Ferguson and Hlavinka, 2007; Symonds *et al.* 2007; Titko and Lace, 2012). Therefore, a modification is required on the extant traditional value propositions to reflect the Islamic business philosophy and Islamic worldview.

The competitive value propositions offered by Islamic banks need to comply with *Shariah Islamiyyah* in which *riba*, *gharar* and *maysir* are explicitly forbidden. The building block of Islamic banks is prescribed in the *Quran* (2: 275), in which the Almighty has permitted trade but prohibited *riba* as the latter leads to social injustice and malfunction (Al-Qaradawi, 2007). As for the banking industry, a clear competitive value proposition can make a difference in profit and business growth. This value should be realised through the perception of the customer, which is based on the intangible nature of service and not the objective reality that can more easily be associated with the tangible product. The customers do not choose Islamic mortgages because of their faith *per se* but out of the benefits offered.

Besides, there exists minimal support in the literature to confirm a significant relationship between customer value propositions and the willingness or the receptiveness. For instance, [Eastin \(2002\)](#) finds that perceived financial benefit is strongly associated with the adoption of e-commerce. Similarly, [Ramayah et al. \(2006\)](#) report a significant relationship between perceived benefit and Internet banking usage. These studies demonstrate that value proposition has a significant impact on one's decision. The same application of the factor to the Islamic home financing preference context, however, is poorly documented. Earlier empirical works have failed to capture the effect of this variable on the receptiveness (e.g. [Dar, 2002](#)) though [Amin \(2008\)](#) attempts to propose competitive value propositions (e.g. lower service charge, discount or rebate, margin of financing etc.) but their impacts on the receptiveness of Islamic home financing are relatively inadequate due to poor conceptualisation of the battery items used. Therefore, we postulate:

- H2. Competitive value proposition has a direct positive effect on the receptiveness of Islamic home financing.

#### *Islamic debt collection policy*

By definition, Islamic debt collection policy is the set of procedures an Islamic bank uses to ensure payment of monthly instalment can be obtained from customers according to *Shariah*. In current society, one is subject to layoffs, financial crises, illness and natural disasters (e.g. floods) which disrupt employment for salaries or wages. In this case, an Islamic bank at its discretion can perform 'debt forgiveness'. Debt forgiveness can take in two forms. Firstly, it is debt cancellation. Secondly, there is a time extension for debt repayment. In the *Quran*, Allah says: 'If the debtor is in a difficulty, grant him time Till it is easy for him to repay. But if ye remit it By way of charity, That is best for you If ye only knew' (*Quran*, 2:280). This also helps to promote social justice and the financial well-being of the debtors, benefiting from the blessing that is drawn from 'Islamic debt collection policy' (e.g. [Haniffa and Hudaib, 2007](#)).

This policy can be beneficial for several reasons but are not confined to, firstly, Islamic debt collection policy helps to improve the financial well-being of breadwinners for peace of mind. The offerings of extension of time for repayment, debt restructuring, repayment rescheduling and debt consultation when a customer faces financial hardship are of importance to reduce financial distress and mind as well. Given these good measures, the customers are likely to respond positively to the products, which in turn will affect their intention to apply for Islamic home financing products. Secondly, Islamic debt collection policy protects the interest of both parties, the bank and the customer according to *Shariah*, where *maslahah* for both parties are brought into play. Yet, if the homebuyers are hard-core debtors then an Islamic bank has the right to repossess the house since the house serves as collateral as the homebuyers have mutually agreed when they signed the mortgage's agreement with the bank to take up Islamic home financing products.

Generally, there is growing studies that are focused to understand the debt policy and its impact on consumer behaviour but without specifying the context of the policy. For instance, [Haniffa and Hudaib \(2007\)](#) employ 'commitments toward debtors', [Beekun and Badawi \(2005\)](#) employ 'benevolence of debtors', and [Amin et al. \(2017\)](#) employ 'Islamic debt policy', *inter alia*. The current research, however, considers these studies as a point of departure to propose the items representing Islamic debt collection policy to allow an accurate conceptualisation of Islamic repayment that includes both debt-based financing and equity-based financing. Earlier works of literature (e.g. [Amin et al., 2017](#)) have studied the former instead of the latter, perhaps, due to a difference in terms of scope and objective of their works.

Although limited, [Haniffa and Hudaib \(2007\)](#) explain the significance of Islamic debt collection policy to reduce the burden of debtors' monthly commitments should they are confronted with financial hardship. They assert that Islamic banks are asked to be lenient



with their debtors and in certain situations, debtors are entitled to earn *zakat* to relieve themselves from financial hardship. This is also buttressed by Beekun and Badawi (2005) who argue that Islamic banks should provide time until a debtor can make a repayment. This view is refined by Amin (2017b) who defines Islamic debt collection policy in the form of payment holiday to ease the burden of breadwinners who face with financial difficulties, mainly in November and December each year because of schooling expenses and needless to say, out of festive seasons. Accordingly, this measure can improve the well-being of homebuyers who buy houses via the selection of Islamic mortgage facilities. In another context, Amin *et al.* (2017) argue that the significance of being pleasant to debtors is another key indicator that needs to be understood to predict the demand accordingly. This is also compatible with Haron and Shanmugam (2001) who argue that Islamic banks are expected to be fair and uphold the concept of justice to consumers along with their efforts in a profit-making business. In the case should debtors are not being able to repay their debt, out of financial hardship, the bank should give two options, either to extend the repayment date or the duration of the loan or to convert the loan to charity. Between the two, the second is argued to be the better option, which supports a debt cancellation concept to discharge debtors from bad debt liability and bankruptcy through fair and transparent means (Haron and Shanmugam, 2001). In practice, however, such a proposal is not popular for many reasons and one of them is an anxiety of being manipulated by customers who have a bad credit history.

All in all, studies that describe an Islamic debt collection policy, however, are fallen short (e.g. Md-Taib *et al.*, 2008; Engku-Ali, 2010; Abdul-Hamid *et al.*, 2011; Abdul-Razak; Abduh, 2012). The extant literature underscores the effect of this variable on the Islamic mortgage behaviour (e.g. Dar, 2002). Evidence pertinent to the influence of Islamic debt collection policy is somewhat limited where an exception is made to a study by Amin *et al.* (2017) that discovers a significant relationship between Islamic debt policy and consumer acceptance. The current study extends this concept to cover all types of Islamic home financing products, where *tawarruq*, *musharakah mutanaqisah* and *al-ijarah muntahia biltamleek* are brought into play. Islamic home financing products both capture debt and equity types of financing. Of these, Amin *et al.* (2017) consider the former at the expense of the latter and, to a certain extent, the study of Islamic home financing is inconclusive and more works needed to close the gap. Understanding Islamic debt collection policy empirically can help Islamic bankers to promote a true spirit of justice and equity, where value-based intermediation is upheld. Hence, *H3* is proposed as:

*H3.* Islamic debt collection policy has a direct positive effect on the receptiveness of Islamic home financing.

#### *Islamic bankers' knowledge*

According to the *Quran* (58:11), those knowledgeable are ranked highly in *Muslim* society in which Allah (S.W.T) raises to higher ranks those of you who have faith and those who have been given knowledge. This denotes that knowledgeable bankers are of utmost importance in Islamic banks to drive the performance of the bank a success via an improved customer base and loyalty. Furthermore, Wan-Daud (2009) asserts that human capital is a key determinant of the competitiveness and sustainability of the Islamic finance industry. This standpoint is buttressed by Ali (2017) and Saad (2011) who claim that the talented bankers bring a positive impact to the industry out of their effectiveness in conveying correct messages, and consequently improving trust and confidence of their clients. These assertions are also in tandem with the Malaysian Reserve's (2017) work that claims the expansion of customer base and profits of Islamic home financing products are positively correlated with the availability of talent and knowledgeable bankers.

Lack of knowledgeable bankers, however, becomes the root of Islamic banks' failure due to inability to create sales from customers' request of Islamic banking products (e.g. Wan-Daud, 2009; Saad, 2011). Following Abdullah and Abdul-Rahman (2007), the inability to explain the distinct feature of Islamic home financing products is empirically proven as an indicator that leads to poor demand for BBA home financing. Furthermore, Billah (2006) asserts that knowledge is essential in promoting Islamic financial transactions and products. Billah (2006) argues that, in Islam, a perfect and true believer is one who has belief and practices the commandments of Allah (SWT). Similarly, one should possess the necessary knowledge on how to implement a transaction in one's practical life based on these divine contractual principles (Zainol *et al.*, 2008; Al-Ajmi *et al.*, 2009). Billah (2006) further asserts that the parties involved in transactions must not only believe in the divine principles of contract but also know the nature of such transactions, and their modes of implementation of these divine principles of Allah (SWT), which include both the procedures and consequences of such transactions.

Numerous studies have claimed that bankers who are well-versed have been identified as the core reason of an Islamic bank's stability, and, in turn, can improve the profitability (Abdullah and Abdul-Rahman, 2007; Al-Ajmi *et al.*, 2009; Zainol *et al.*, 2008). To a certain extent, however, a knowledgeable banker is considered as a valuable asset to an Islamic bank (e.g. Abdullah and Abdul-Rahman, 2007; Zainol *et al.*, 2008; Al-Ajmi *et al.*, 2009). From the context of a conventional mortgage, it is proven that the knowledgeable banker is the most common choice criteria as asserted and supported by Devlin (2002) who learns a significant impact of professional advice on mortgage selection. Based on a review of the existing literature, few studies have been identified on Islamic bankers' knowledge and its effect on the receptiveness. The current study expects Islamic bankers' knowledge to have a significant influence on the receptiveness of Islamic home financing. Thus, we hypothesise the following:

- H4. Islamic bankers' knowledge has a direct positive effect on the receptiveness of Islamic home financing.

#### Maqasid al-Shariah compliance

*Maqasid al-Shariah* refers to objectives of *Shariah* for Islamic banking activities that entail the protection of *mal* (property) and the religion of Islam. Generally, the objectives are broken down into social and profit objectives. Yusuf (2017) explains the effect of *maqasid al-Shariah* on the performance of Islamic banks. The author views that the practice of *maqasid al-Shariah* in Malaysian Islamic banking industry is still at infancy stage where there still exists a leeway to generate the benefits of *maqasid* to strengthen further Islamic banks' compliance towards *Shariah*. This credence, however, aligns with a work by Dusuki and Bouheraoua (2011) who assert that the idea of *maqasid al-Shariah* and its impact on Islamic banking activities is relatively new-fangled. Evidently, two works by Yusuf (2017) and Dusuki and Bouheraoua (2011) have identified that the objectives of *Shariah* is relevant to Islamic banking that is the 5th objective 'protection of *mal* (property)' since it deals with a *muamalat* element that is defined as an interaction between the customer and the banker in all tasks of doing.

To the best of our knowledge, Khan and Ghifari (1992) pioneer the study to extend the significance of *maqasid al-Shariah* using Shatibi's objectives of *Shariah* to consumption from an Islamic perspective. In their study, however, *maqasid* influences one's consumption of goods and services according to three levels of need namely, essential (*daruriyyat*), complementary (*hajiyyat*) and embellishment (*tahsiniyyat*). Although the study is fascinating, little attention is paid to the development of scales for the *maqasid al-Shariah* compliance and its application towards the understanding of consumer preference is limited. Unlike Khan and Ghifari (1992), Mohammed *et al.* (2008) provide a broader perspective on how *maqasid*



*al-Shariah* is related to the performance of Islamic banks. In general, these studies provide a basis in explaining *maqasid al-Shariah* as a key competitive weapon to influence the mind-set of Gen-Y to opt Islamic home financing products effectively.

Based on the preceding discussion, the current study intends to examine the effect of *maqasid al-Shariah* compliance by Islamic banks and its implication to the receptiveness. By definition, *maqasid al-Shariah* compliance is a consumer's belief that an Islamic bank, which provides Islamic home financing products, follows *maqasid al-Shariah* when offering the facility. In other words, the customer will opt an Islamic mortgage provider should the latter follows the *maqasid*. For instance, [Amin et al. \(2014\)](#) examine the Theory of Islamic Consumer Behaviour (TiCB) by considering *maqasid al-Shariah* as a point of departure. They discover that *maqasid al-Shariah's* three tested elements, namely, education, justice and welfare are of significance in impacting consumer behaviour. The theory captures one's behaviour from Islamic perspectives of consumerism and elements of the Islamic worldview. Most recently, [Amin \(2017b\)](#) extends the study by examining the impact of *maqasid al-Shariah* on consumer behaviour of Islamic home financing. The study develops a specific variable that captures the context of research to reflect the reliability of Islamic mortgage from *maqasid al-Shariah's* standpoint. Furthermore, the variable developed 'perceived *maqasid* on homeownership' is of significance to affect the consumer. These studies conclude that *maqasid al-Shariah* and Islamic home financing are closely related. Corresponding with these studies, this paper examines the effect of *maqasid al-Shariah* compliance on the receptiveness of Islamic home financing, where new scales are developed based on [Churchill Jr's \(1979\)](#) recommendation to symbolise its context. Hence, [H5](#) is proposed as:

*H5. Maqasid al-Shariah* compliance has a direct positive effect on the receptiveness of Islamic home financing.

## Methodology

### Sample

The current study considers potential homebuyers in Malaysia. In particular, the study sample is collected in Kuala Lumpur, Selangor, Negeri Sembilan and Sabah. These states are selected based on their economic development. According to [Tan \(2008\)](#), Kuala Lumpur and Selangor contribute to more than 45 per cent of the total number of constructed residential units in Malaysia. These two cities are considered developed in the country in terms of infrastructures and housing facilities. The state of Negeri Sembilan is also chosen for data collection. Negeri Sembilan is viewed as a moderately developed state in Malaysia ([Abdul-Karim and Fleming, 2012](#)). Negeri Sembilan has enjoyed the spillover effects from Kuala Lumpur and Selangor, leading to the decision to choose Negeri Sembilan for data collection. Sabah is chosen as one of the less developed states in Malaysia. Sabah somewhat has a large number of housing projects in East Malaysia out of a growing number of mortgage transactions, and in wider prime areas ([Mulok and Kogid, 2008](#)).

This study uses judgmental sampling to select a respondent according to the following criteria:

- (1) The respondent is the existing customer of an Islamic bank, who opts Islamic banking products; and
- (2) The respondent is of 25 years old. This denotes that he/she has a legal status to enter into a mortgage agreement.

Concerning the sample size, the present study follows [Sekaran and Bougie's \(2010\)](#) recommendation in which a sample size of 384 is considered acceptable.

A total of 800 questionnaires are distributed. The questionnaires are distributed to the respondents during working hours. After the screening process, 744 questionnaires are usable for further analysis, implying a response rate of 93 per cent. Table I provides the overall breakdown of the sampled respondents. The sampled respondents comprise 43.3 per cent male and 56.7 per cent female, and at the time of the survey, 67.6 per cent of the respondents are married while 32.4 per cent of the respondents is single. In terms of education, most of the respondents are tertiary level, with 40.5 per cent being Bachelor degree holders and 28.2 per cent Master's holders.

Measures

Following Churchill Jr (1979), the current research develops measurement items from the literature analyses and interviews. The two rounds of interviews were conducted among with five *Shariah* scholars who are well versed and knowledgeable on Islamic home financing to identify the CSFs, and then their measurement items. In the first round, we seek feedback from the scholars pertinent to the CSFs' identification whilst in the second round we seek feedbacks from them pertinent to the battery items used in representing the CSFs. The outcomes of these interviews (both 1st and 2nd rounds) are provided in Appendix 2.

Based on Churchill Jr (1979), the measurement items can be validated using experts in the area concerned. Given this assertion, the *Shariah* scholars chosen have a piece of first-hand information pertinent to Islamic home financing products and their teething troubles, which hamper consumer acceptance. For that, the selection of these experts in the present study deems appropriate. They also involved in product development processes, which include modus operandi, financial benefits and pricing, to mention some. Dusuki and Abdullah (2007) and Dusuki (2008) are among the *Shariah* scholars who have well-versed knowledge in Islamic banking products and statistical analyses. The *Shariah* scholars' skill on statistical modelling is proven by two works by Mohammed and Md-Taib (2015) and Mohammed *et al.* (2015) in which the *Shariah* scholars have shared their statistical skill of simple additive weighting (SAW) to the two works in developing *maqasid* performance index (MPi). Hence, their selection deems appropriate.

These measurements are adapted from relevant literature, where three items are proposed for each construct. Three items for product type are based on previous works by Engku-Ali (2010), Ahmed (2011) and Amin *et al.* (2016). Three measurement items for competitive value proposition are developed based on works by Ferguson and Hlavinka (2007), DiVanna (2011) and Amin (2017a). Similarly, three items for Islamic debt collection policy are adapted from works by Beekun and Badawi (2005), Amin *et al.* (2011) and Amin *et al.* (2017). Islamic

Table I.  
Demographic profile

Demographic	Frequency (n = 744)
<i>Gender</i>	
Male	322 (43.3%)
Female	422 (56.7%)
<i>Education</i>	
STPM/Diploma	189 (25.4%)
Bachelor	301 (40.5%)
Master	210 (28.2%)
PhD	44 (5.9%)
<i>Marital status</i>	
Single	241 (32.4%)
Married	503 (67.6%)

bankers' knowledge is measured using three battery items drawn from Billah (2006), Zainol *et al.* (2008) and Al-Ajmi *et al.* (2009). Finally, three items for *maqasid al-Shariah* compliance are modified from Mohammed *et al.* (2008), Amin *et al.* (2014) and Amin (2017b). The details of the finalised measurement items are provided in Appendix 1.

The constructs' items later are checked for content validity using five *Shariah* scholars who are chosen randomly using the SPSS procedure. The list of the *Shariah* scholars is obtained from the Bank Negara Malaysia's website. Subsequently, after the interviews, the items are revised for the pilot test. A five-point Likert scale ranging from 'strongly disagree' (1) to 'strongly agree' (5) is used to evaluate each statement. The developed research items are finalised using a pilot test of 30 potential homebuyers. Accordingly, the items are polished to exclude vagueness to improve the clarity of the research instrument.

### PLS analysis

The current study examines the research hypotheses using SmartPLS2.0 M3 (PLS) (Ringle *et al.*, 2005). The PLS is used to test the effects of Islamic bankers' knowledge, Islamic debt collection policy, competitive value proposition, *maqasid al-Shariah* compliance and product type on the receptiveness of Islamic home financing. PLS can be employed to capture large or small samples. Marcoulides and Saunders (2006) assert that the PLS estimates are improved whilst the average absolute error rates are diminished when sample sizes are elevated. Simply put, PLS does not impose sample size restrictions for the underlying data in which small and large samples are both acceptable. Our review from Lee and Kozar's (2008) work indicates that a large sample is acceptable for PLS to produce improved estimates for hypotheses under contemplation.

### Model specification

The model of the study considers one dependent variable that is the receptiveness of Islamic home financing. Five independent variables are examined notably Islamic bankers' knowledge, Islamic debt collection policy, competitive value proposition, *maqasid al-Shariah* compliance and product type. These factors are hypothesised to have a direct relationship with consumer receptiveness. The model expects that the independent variables are instrumental in determining the formation of the receptiveness of Islamic home financing.

The present study proposes the general equation of the model as described below:

$$RIHF_i = \alpha + \sum_{k=1}^3 \beta_k IBK_{ki} + \sum_{l=1}^3 \gamma_l IDCPl_i + \sum_{M=1}^3 \psi_M CVP_{Mi} + \sum_{N=1}^3 \phi_M MC_{Ni} + \sum_{O=1}^3 \eta_M PT_{Oi} + \varepsilon_i \quad (1)$$

Where:

RIHF<sub>i</sub> = Receptiveness of Islamic home financing

IBK = Islamic bankers' knowledge

IDCP = Islamic debt collection policy

CVP = Competitive value proposition

MC = *Maqasid al-Shariah* compliance

PT = Product type

Equation (1) indicates that the receptiveness could be influenced by Islamic bankers' knowledge, Islamic debt collection policy, competitive value proposition, *maqasid al-Shariah* compliance and product type. *RIHF<sub>i</sub>* is a vector of the receptiveness of Islamic home financing, which is also defined as the dependent variable in this study. *IBK<sub>i</sub>* is a vector of Islamic bankers' knowledge. *IDCP<sub>i</sub>* is a vector of Islamic debt collection policy, *CVP<sub>i</sub>* is a vector of competitive value proposition, *MC<sub>i</sub>* is a vector of *maqasid al-Shariah* compliance

and *PTi* is a vector of product type. Furthermore, *IBKi*, *IDCPi*, *CVPi*, *MCi*, *PTi* are viewed as independent variables.

Results

*Outcomes of interviews*

According to Churchill Jr's (1979) recommendation, the importance of certain factors is relatively identified based on literature analysis. As such, the factors considered important for the receptiveness of Islamic home financing products have been identified through this approach. The factors include Islamic bankers' knowledge, Islamic debt collection policy, product range, financial benefits and *Maqasid* factors. The details are provided in Table II.

As noted earlier, the interviews have been two rounds:

- (1) The first round is aimed at uncovering the CSFs, in which the CSFs are first identified in the literature and proven in terms of their 'importance' through expert feedbacks, using *Shariah* scholars. The significance of the CSFs is further analysed using SPSS software for mean scores and for that the factors are evaluated using a five-Likert scale. In more detail, the scale is detailed as, 1 = Very unimportant, 2 = Unimportant, 3 = Slightly important, 4 = Important, and 5 = Very important; and
- (2) The second round is aimed at validating battery items representing the CSFs under contemplation. *Shariah* scholars are invited to provide their comment, where face validity comes into play.

The research instrument used is a structured questionnaire with a space provided for comment. Analyses pertinent to the interviews are done using SPSS software to contrast and compare the mean scores for factors under contemplations. Five experts are selected. Those five experts are academic scholars and also *Shariah* advisors for Islamic banks. As noted earlier, those experts are selected because of their skills in Islamic banking as well as their first-hand information on Islamic home financing products (see Table III).

In this first stage of the interview, the scholars' comments are recorded properly and the outcomes are described in Table IV. Using the SPSS software, we report that all mean scores of the factors under contemplations are exceeding the threshold value. A mean score that is less than 2 is rated as low, a mean score between 2 and 4 is rated as average, and a mean score greater than 4 is rated as high (Yasin, 2004). Three constructs are refined in terms of their labels to better capture the conceptualisation of the constructs. These include (*maqasid* factors → *maqasid al-Shariah* compliance; competitive benefit → competitive value proposition; and product range → product type).

The next stage is a discussion pertinent to a series of interviews with five experts in Islamic banking and finance for confirming the battery items identified from the literature. Needless to say, there are limited measurement items are reported to validate the five critical success factors in the context of the Islamic home financing preference

Table II.  
Initial critical success factors

No.	Factor	Sources from existing literatures
1	Product range	Engku-Ali (2010), Ahmed (2011) and Amin <i>et al.</i> (2017)
2	<i>Maqasid</i> factors	Ahmed (2011) and Amin (2017b)
3	Islamic debt collection policy	Beekun and Badawi (2005) and Haniffa and Hudaib (2007)
4	Islamic bankers' knowledge	Devlin (2002) and Abdullah and Abdul-Rahman (2007)
5	Financial benefits	Amin (2017a), DiVanna (2011) and Amin (2008)

**Table III.**  
*Shariah scholars*

No.	<i>Shariah</i> scholar	Institution	Expertise
1	Interviewee A	Member of the Shariah Advisory Council of Bank Negara Malaysia (SAC)	Islamic finance law
2	Interviewee B	Al-Rajhi Bank, Malaysia	<i>Shariah and fiqh muamalat</i>
3	Interviewee C	MNRB Retakaful Berhad	<i>Takaful</i> and Islamic accounting
4	Interviewee D	Member of the Working Committee, IIUM Institute of Islamic Banking and Finance	Islamic banking
5	Interviewee E	Member of the Working Committee, IIUM Institute of Islamic Banking and Finance	Islamic banking

**Table IV.**  
Mean scores for critical  
success factors

	Critical success factors		
	Mean	Important	Comment
Maqasid factors	4.60	Yes	Interviewee B suggests a proper label for accuracy. Perhaps, <i>Maqasid</i> compliance
Competitive benefit	4.40	Yes	Interviewee B agrees with the inclusion of competitive benefit and suggests changing it to a competitive value proposition to reflect the multiple benefits earned by customers once they sign a mortgage agreement with their banks. Interviewee E needs to see further battery items for this construct
Islamic debt collection policy	4.80	Yes	Interviewee C asserts that it is 'Islamic debt collection policy' that becomes a novelty of this work Interviewee A proposes restructuring (e.g. refinancing facility) in the battery items representing this factor
Islamic bankers' knowledge	4.60	Yes	Interviewee D asserts that bankers' knowledge is essential to convert customers' queries into actual demand
Product range	4.80	Yes	Think about the term 'product type', commented by Interviewee C in terms of the label for this construct

(e.g. [Amin, 2008](#); [Md-Taib \*et al.\*, 2008](#)). To respond to this concern, a series of interviews with *Shariah* experts are conducted for face validity.

For this purpose, their assessments are broken down into three 'perfect match', 'moderate match' and 'poor match' (See Appendix 2). We consider items that have 'perfect match' and 'moderate match' before conducting a pilot test and actual survey. The *Shariah* scholars are instructed to mark from the three options available and we conclude, to a certain extent, that the battery items have acceptable face validity, implying all items generally are retained. These items then are brought forward for a pilot test and actual survey. The details of the final factors and their battery items are provided in Appendix 2.

### *Measurement model*

This study employs [Chin's \(2010\)](#) two-stage approach to analyse the measurement model and structural analysis. As for the measurement model, construct validity is examined using both convergent validity and discriminant validity. Convergent validity is composed of factor loadings, average variance extracted (AVE) and composite reliability (CR). Following [Lee and Kozar \(2008\)](#), factor loading should be at least 0.7 with no measurement item loading more highly on other constructs than the construct it intends to measure. As for the AVE, [Fornell](#)

and Larcker (1981) suggest that the AVE value should be well above 0.5 to claim adequacy in the construct's validity. In terms of the CR, the threshold value of 0.7 is employed.

Table V indicates that all factor loadings for the dimensions are greater than the threshold value of 0.7. Factor loadings for the receptiveness are greater than the threshold, suggesting that the three items are valid. Combined all, the three items proposed for each construct are acceptable. Moreover, Table V indicates that all items exhibit high loadings on their constructs (Italic values) and no items are loaded higher on constructs that they are not projected to gauge.

Table VI presents AVE, composite reliability and Cronbach's alpha. The reported CR exceeds the recommended value of 0.7 (Lee and Kozar, 2008). The AVE values for all constructs are greater than the threshold value of 0.5, hence demonstrating convergent validity (e.g. Fornell and Larcker, 1981). The Cronbach's alpha for all indicators exceeded the recommended value of 0.6, inferring that the dimensions representing the constructs possessing high internal consistency.

Item	IBK	RIHF	CVP	IDCP	MC	PT
IBK1	<i>0.910</i>	0.422	0.433	0.368	0.302	0.452
IBK2	<i>0.926</i>	0.413	0.466	0.439	0.290	0.414
IBK3	<i>0.910</i>	0.483	0.360	0.438	0.423	0.405
RIHF1	0.302	<i>0.951</i>	0.466	0.356	0.325	0.394
RIHF2	0.328	<i>0.947</i>	0.451	0.322	0.298	0.222
RIHF3	0.419	<i>0.886</i>	0.474	0.404	0.455	0.319
CVP1	0.468	0.466	<i>0.948</i>	0.418	0.220	0.332
CVP2	0.428	0.251	<i>0.882</i>	0.291	0.022	0.339
CVP3	0.274	0.207	<i>0.820</i>	0.237	0.038	0.338
IDCP1	0.395	0.320	0.320	<i>0.941</i>	0.463	0.289
IDCP2	0.445	0.300	0.374	<i>0.848</i>	0.290	0.453
IDCP3	0.401	0.392	0.344	<i>0.904</i>	0.352	0.383
MC1	0.425	0.416	0.166	0.426	<i>0.914</i>	0.310
MC2	0.337	0.410	0.119	0.235	<i>0.939</i>	0.261
MC3	0.244	0.322	0.097	0.296	<i>0.906</i>	0.208
PT1	0.399	0.354	0.316	0.409	0.161	<i>0.883</i>
PT2	0.278	0.327	0.278	0.081	0.222	<i>0.725</i>
PT3	0.329	0.449	0.454	0.451	0.339	<i>0.941</i>

**Note(s):** IBK = Islamic bankers' knowledge, RIHF = Receptiveness of Islamic home financing, CVP = Competitive value proposition, IDCP = Islamic debt collection policy, MC = *Maqasid al-Shariah* compliance, and PT = Product type

**Table V.**  
Factor loadings

Construct	AVE	Composite reliability	$R^2$	Cronbach's alpha
CVP	0.784	0.915	0.000	0.870
IBK	0.838	0.940	0.000	0.904
IDCP	0.807	0.926	0.000	0.881
PT	0.730	0.889	0.000	0.817
RIHF	0.862	0.949	0.761	0.919
MC	0.846	0.943	0.000	0.909

**Table VI.**  
AVE, Composite  
reliability,  
Cronbach's alpha

**Note(s):** IBK = Islamic bankers' knowledge, RIHF = Receptiveness of Islamic home financing, CVP = Competitive value proposition, IDCP = Islamic debt collection policy, MC = *Maqasid al-Shariah* compliance, and PT = Product type



Based on [Fornell and Larcker's \(1981\)](#) recommendation, discriminant validity is met when the square root of the AVE from the construct is greater than the correlation shared between that constructs and others in the model. As presented in [Table VII](#), the values for the square root of the AVE of the constructs under examinations are well above the recommended value of 0.7 to meet the discriminant validity. Besides, the current study performs a Harmon one factor's analysis to examine the self-reported nature of data. Our result suggests that the un-rotated factor analysis for the first factor is accounted for only 38.32 per cent. Thus, there is no single factor accounts for more than 50 per cent of the variance in the data, minimising common method bias as a threat to the validity of the findings.

### Structural analysis

In this part, a regression analysis is conducted using the PLS. The PLS is conducted to test the hypotheses. The PLS is an advance analysis to examine the causal models comprising multiple constructs with multiple items. Following [Hulland \(1999\)](#), this study reports  $R^2$  values for all endogenous constructs included in the models.  $R^2$  is a measure of the predictive power of a model for the dependent variables. Based on this suggestion, the present study reports  $R^2$  values for endogenous variables. The CSFs can elucidate 79.1 per cent of the variance of the receptiveness that meets the threshold value of 20 per cent to confirm the appropriateness of the research framework

As reported in [Table VIII](#), Islamic bankers' knowledge is significantly related to the receptiveness of Islamic home financing ( $\beta = 0.044, p < 0.01$ ). Islamic debt collection policy is significantly associated with the receptiveness of Islamic home financing ( $\beta = 0.361, p < 0.01$ ). The competitive value proposition is significantly associated with the receptiveness of Islamic home financing ( $\beta = 0.146, p < 0.01$ ). *Maqasid al-Shariah* compliance is also significantly related to the receptiveness of Islamic home financing ( $\beta = 0.206, p < 0.01$ ).

Construct	CVP	IBK	IDCP	PT	RIHF	MC
CVP	<i>0.885</i>					
IBK	0.569	<i>0.916</i>				
IDCP	0.381	0.456	<i>0.899</i>			
PT	0.508	0.579	0.407	<i>0.854</i>		
RIHF	0.499	0.520	0.650	0.624	<i>0.928</i>	
MC	0.139	0.368	0.460	0.284	0.600	<i>0.920</i>

**Note(s):** IBK = Islamic bankers' knowledge, RIHF = Receptiveness of Islamic home financing, CVP = Competitive value proposition, IDCP = Islamic debt collection policy, MC = *Maqasid al-Shariah* compliance, and PT = Product type. The italic values denote discriminant validity

**Table VII.**  
Discriminant validity

Pathway	Estimate ( $\beta$ )	Standard deviation	t-value	Supported
IBK → RHIF	0.044	0.021	2.140	Yes
IDCP → RHIF	0.361	0.023	15.405	Yes
CVP → RHIF	0.146	0.020	7.149	Yes
MC → RHIF	0.206	0.019	10.604	Yes
PT → RHIF	0.290	0.016	18.646	Yes

**Note(s):** IBK = Islamic bankers' knowledge, RIHF = Receptiveness of Islamic home financing, CVP = Competitive value proposition, IDCP = Islamic debt collection policy, MC = *Maqasid al-Shariah* compliance, and PT = Product type

**Table VIII.**  
Regression analysis

Product type is significantly related to the receptiveness of Islamic home financing ( $\beta = 0.290$ ,  $p < 0.01$ ). These results indicate that the proposed framework is statistically valid, extending its applicability to the context of Islamic home financing.

## Discussion

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This study provides new insights into new critical success factors that determine the receptiveness of Islamic home financing. A total of five hypotheses are developed to meet the research objective. PLS results suggest that the five exogenous variables covering product type, competitive value proposition, Islamic debt collection policy, Islamic bankers' knowledge and *maqasid al-Shariah* compliance are instrumental in determining the formation of the receptiveness of Islamic home financing. The hypothesised results suggest that the Islamic debt collection policy has a greater effect on the receptiveness of Islamic home financing. This outcome agrees with the finding by [Amin et al. \(2017\)](#) who discover a significant relationship between Islamic debt policy and the acceptance, which extends the appropriateness of this variable to the latest context of Islamic mortgage. Essentially, [Haniffa and Hudaib \(2007\)](#) and [Beekun and Badawi \(2005\)](#) highlight the significance of an Islamic version of repayment policy to help debtors from a financial hardship and such a viewpoint is in tandem with the present result, adding a new approach to improve Islamic banks' planning when offering Islamic home financing products to their prospective customers.

The results also report a significant effect of product type on the receptiveness of Islamic home financing. Simply put, the higher the extent of product type, the better is the receptiveness. In practice, however, many Islamic banks have considered various types of Islamic home financing products with improved *Shariah* contracts and packages that lead to better acceptance by consumers. Our findings also corroborate with earlier avowals by [Engku-Ali \(2010\)](#) and [Ahmed \(2011\)](#) who claim that product type is instrumental to determine consumers' willingness to opt. Likewise, our results are in tandem with the finding by [Amin et al. \(2017\)](#) who find a significant relationship between product range and willingness to choose Islamic home financing, which in turn, can add more knowledge available in this area.

More importantly, the present study considers the effect of the *maqasid al-Shariah* compliance by Islamic banks and its implication to the receptiveness. Our study discovers a significant effect of *maqasid al-Shariah* compliance on the receptiveness of Islamic home financing. Our finding is buttressed by the two important works, firstly by [Amin et al. \(2014\)](#) and secondly by [Amin \(2017b\)](#) who report a significant role of *maqasid al-Shariah* in shaping the receptiveness of Islamic home financing in the mortgage industry. Furthermore, it is also since the battery items are adapted from these studies, so extends their generalisability to a new consumer perspective of the receptiveness of Islamic home financing. As a result, this finding demonstrates the importance of *maqasid al-Shariah* should an Islamic bank offers Islamic home financing products to the public at large. Thus, the higher the extent of *maqasid al-Shariah* compliance, the better is the receptiveness.

The competitive value proposition is also a key predictor. This result is in tandem with arguments by [Amin \(2017a\)](#) and [DiVanna \(2011\)](#). These authors both assert that the competitive value proposition can improve Islamic finance visibility and Islamic bank performance. This clarifies that the proper implementation of a competitive value proposition has a profound implication to improve the confidence of consumers to choose Islamic home financing products effectively. Having said that, Islamic banks should offer distinctive features that improve customers' attraction and confidence. Islamic home financing products are considered appealing when the banks offer them along with some significant benefits. In today's mortgage market, however, customers are more knowledgeable due to the online accessibility of Islamic mortgage information and tertiary education obtained in finance and

banking. Customers will choose mortgages that offer them with distinctive benefits along with improved peace of mind. In short, the result demonstrates the significance of the value proposition to improve the customer base and the performance of receptivity.

More importantly, the current study finds a significant effect of Islamic bankers' knowledge on the receptiveness of Islamic home financing. With inadequate measurement scales identified in the literature, the current research proposes the new CSFs for the receptiveness of Islamic home financing. Such an affirmation is supported by limited works directed in this area (e.g. [Abdullah and Abdul Rahman, 2007](#)). The current result confirms the importance of these factors to predict the acceptance better and avoids any speculation whether it is worthy to be researched or not. Our finding supports the assertions by some earlier works by [Wan-Daud \(2009\)](#) and [Saad \(2011\)](#) that are in agreement with a claim in that the talented bankers have brought a positive impact to the industry mainly in the formation of consumers' confidence and loyalty. These statements are in line with [Abdullah and Abdul Rahman \(2007\)](#) who claim that the expansion of customer base and profit of Islamic home financing products are positively correlated with the availability of talent and knowledgeable bankers. Taken as a set, the higher the extent of Islamic bankers' knowledge, the better is the receptiveness of Islamic home financing.

### Conclusion and future research

This study has presented a framework of the CSFs for the receptiveness of Islamic home financing that aligns with an effort to enhance the growth of the facility via an improved customers' receptivity. Islamic home financing products are in demand and appeared to make a difference should the factors are following the banks' promotion value-added customers' expectations. The lack of distinguishable competitive CSFs or specific indicators could have exposed Islamic banks to the hazard of fierce competition in the mortgage industry. This could embroil foreign banks inflowing the local mortgage market or existing conventional mortgage providers come up with innovations that effectually erode the current market share of Islamic home financing. Without new CSFs, Islamic home financing products tend to have a minimal demand from potential customers at large or chosen as a source of last financing alternative or under-chosen.

Therefore, it is critical, for Islamic banks to attain operational distinction as a matter of urgency. A sense of urgency is a must-have mind-set by Islamic banks. By considering the factors examined, the banks tend to be more customer-oriented that can improve their engagement with customers to market Islamic home financing products effectively. Moreover, this study provides theoretical, methodological and practical implications. The details are provided.

### *Theoretical implications*

This study proves that the developed framework is noteworthy to understand consumers' receptiveness of Islamic home financing. This study provides empirical evidence supporting the relationships between the CSFs (i.e. Islamic debt collection policy, product type, *maqasid al-Shariah* compliance, competitive value proposition and Islamic bankers' knowledge) and the receptiveness. These results add to the body of knowledge in the area concerned. Likewise, this study also provides strong empirical support for Islamic debt collection policy in which it is instrumental in determining the receptiveness, and for that, a new area of competitiveness is explored (e.g. [Amin et al., 2017](#); [Beekun and Badawi, 2005](#)). Indeed, our model proposes all factors from a cognitive perspective to enhance the understanding of customers' receptiveness. In the present study, the cognitive responses are from potential homebuyers' belief that they will opt the facility when Islamic banks are jointly considered all

factors examined. Our result also indicates that respondents have a positive belief on each factor tested, which, in turn, can lead to a positive response of the receptiveness. Moreover, this study also makes a significant contribution to the body of knowledge by reducing the gaps in Islamic home financing pieces of literature. As noted earlier in the literature, the effects of the factors examined in the receptiveness are rather inadequate and relatively are fallen short. The present work bridges the gap by proposing the specific factors that can shape customers' willingness better for any types of Islamic home financing products.

#### *Methodological implications*

This study also offers methodological contributions pertinent to the development of new measurement items based on cognitive perspectives. Worth to mention, there are limited measurement items proposed earlier in this area to capture the CSFs and their battery items. Therefore, the present study has performed a detailed examination of the extant literature to identify the relevant CSFs and their battery items (e.g. [Engku- Ali, 2010](#); [Ahmed, 2011](#)). Those items identified are validated based on five interviews with *Shariah* scholars listed on the website of Bank Negara Malaysia. Simply put, the battery items examined to provide a new perspective about patronage factors of Islamic home financing and potential generalisation to a wider context of research in Islamic banking products in future empirical investigations.

#### *Practical implications*

This study provides strong evidence that could help bankers to gain a better understanding of the formation of the receptiveness among first-time homebuyers. The identification of the significant CSFs that determine the receptiveness allows bankers to fully focus on developing better approaches that can increase the role that these critical success factors can play and perhaps improve the effects upon those factors that are previously unaffected. Likewise, this study identifies five areas that need to be focused on building positive customers' belief in Islamic home financing products. These areas include Islamic debt collection policy, product type, *maqasid al-Shariah* compliance, competitive value proposition and Islamic bankers' knowledge. Banks need to work on improving Islamic debt collection policy, by extending a flexible and affordable repayment mechanism, which is customised according to the need and aptitude of clients. One size does not fit all. In terms of product type, however, banks may consider offering products that meet both legal and social needs, where the freedom to choose is given to customers. Clear information on product disclosure sheet should be made available online for free access via banks' official websites and social media platforms. Concerning the competitive value proposition, banks may provide more financial benefits should the customers are first-time homebuyers who are purchasing houses as a basic need instead of an investment. In terms of *maqasid al-Shariah* compliance, a specific clause about banks' *maqasid al-Shariah* compliance should be included in the agreements made between the bank and the customer to improve the attractiveness. Vibrant information should be made available in all types of social media for improved perception of banks' *maqasid al-Shariah* compliance. Besides, banks may establish a database to capture the best practices of bankers and conduct referral champion to create a well-versed banker for both *Muslims* and non-*Muslims*.

#### *Limitations*

The findings suggest at least *two* limitations for further study. Firstly, our sample is only confined to a specific consumer group in a particular geography. The findings may not be fully generalisable to other consumer groups in other geographies. Future studies need to consider different geographies to extend the findings. Secondly, the applicability of the

framework of the CSFs is relatively examined from the context of Islamic home financing, which suggests that the contribution made by the present study is confined to a specific area of Islamic banking product. Future studies need to extend this framework to other Islamic banking products or to conduct a comparative analysis between Islamic and conventional mortgages.

Despite these drawbacks, the present study provides new insights into understanding the effects of the five CSFs on the receptiveness of Islamic home financing to provide directions for Islamic banks to market their Islamic home financing products effectively for improved demand and profitability, at least.

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## Appendix 1

CSFs for the  
Islamic home  
financing

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Item	Statement*
IBK1	Knowledge of Islamic banker officers on Islamic home financing is important to me.
IBK2	Knowledge of Islamic banker officers on rulings of Islamic home financing is important to me.
IBK3	Knowledge of Islamic banker officers on modus operandi of Islamic home financing is important to me.
CVP1	I believe that Islamic home financing offers an improved financial benefit.
CVP2	I believe that Islamic home financing offers a flexible tenure.
CVP3	I believe that Islamic home financing offers a competitive financing rate.
IDCP1	I consider a bank that offers a time extension for repayment when a customer faces financial hardship.
IDCP2	I consider a bank that offers a deferment for a monthly instalment when a customer faces financial hardship.
IDCP3	I consider a bank that offers a good consultation when a customer pays late.
MC1	It is my priority to choose a bank that complies with <i>maqasid al-Shariah</i> .
MC2	It is my priority to choose a bank that avoids a harmful contract.
MC3	It is my priority to choose a bank that applies <i>Shariah</i> principles rigorously.
PT1	I like having more selection for Islamic home financing products.
PT2	I like having a broad choice for Islamic home financing products.
PT3	I like having various <i>Shariah</i> contracts for Islamic home financing products.
RIHF1	I intend to choose Islamic home financing in the future.
RIHF2	In the future, I plan to choose Islamic home financing.
RIHF3	In the future, I will make an effort to choose Islamic home financing.

**Note(s):** Copyright © Hanudin Amin; \* A five-point Likert scale used ranging from 'strongly disagree' (1), 'disagree' (2), 'slightly agree' (3), 'agree' (4), and 'strongly agree' (5); IBK=Islamic bankers' knowledge, RIHF=Receptiveness of Islamic home financing, CVP=Competitive value proposition, IDCP=Islamic debt collection policy, MC=*Maqasid al-Shariah* compliance, and PT=Product type

**Table AI.**  
Measurement items

## Appendix 2

Factor	Code	Battery item	Your assessment			Retained
			Perfect match	Moderate match	Poor match	
<i>Maqasid al-Shariah</i> compliance	MC1	It is my priority to choose a bank that complies with <i>maqasid al-Shariah</i>	60%(3)	40%(2)		Yes
	MC2	It is my priority to choose a bank that avoids a harmful contract	40%(2)	60%(3)		Yes
	MC3	It is my priority to choose a bank that applies <i>Shariah</i> principles rigorously	40%(2)	60%(3)		Yes
Competitive value proposition	CVP1	I believe that Islamic home financing offers an improved financial benefit	80%(4)	20%(1)		Yes
	CVP2	I believe that Islamic home financing offers a flexible tenure	80%(4)	20%(1)		Yes
	CVP3	I believe that Islamic home financing offers a competitive financing rate	80%(4)	20%(1)		Yes
Islamic debt collection policy	IDCP 1	I consider a bank that offers a time extension for repayment when a customer faces financial hardship	100%(5)			Yes
	IDCP 2	I consider a bank that offers a deferment for a monthly instalment when a customer faces financial hardship	100%(5)			Yes
	IDCP 3	I consider a bank that offers a good consultation when a customer pays late	100%(5)			Yes
Islamic bankers' knowledge	IBK1	Knowledge of Islamic banker officers on Islamic home financing is important to me	100%(5)			Yes
	IBK2	Knowledge of Islamic banker officers on rulings of Islamic home financing is important to me	100%(5)			Yes
	IBK3	Knowledge of Islamic banker officers on <i>modus operandi</i> of Islamic home financing is important to me	100%(5)			Yes
Product type	PT1	I like having more selection for Islamic home financing products	60%(3)	40%(2)		Yes
	PT2	I like having a broad choice for Islamic home financing products	100%(5)			Yes
	PT3	I like having various <i>Shariah</i> contracts for Islamic home financing products	100%(5)			Yes
Receptiveness	RIHF1	I intend to choose Islamic home financing in the future	80%(4)	20%(1)		Yes
	RIHF2	In the future, I plan to choose Islamic home financing	100%(5)			Yes
	RIHF3	In the future, I will make an effort to choose Islamic home financing	100%(5)			Yes

Table AII.

Final factors and their battery items

**Note(s):** parentheses indicate the number of *Shariah* scholars' feedbacks. Percentage is computed as  $n/5 \times 100$ , for example  $(3/5 \times 100 = 60 \text{ per cent})$

## Appendix 3

## Terminologies used

- (1) *Al-Awfar* – prosperous investment
- (2) *Musharakah* – partnership
- (3) *Al-ijarah* – leasing
- (4) *Al-ijarah muntahia biltamleek* – leasing ending with ownership
- (5) *Tawarruq* – tripartite sale

- (6) *Muslim* – a follower of the religion of Islam
- (7) *Daruriyyat* – essentials
- (8) *Hajiyyat* – complementary
- (9) *Tahsiniyyat* – embellishments
- (10) *Musharakah mutanaqisah* – diminishing *musharakah*
- (11) *Bay bithaman ajil* – deferred payment sale
- (12) *Waqf* – Islamic endowment
- (13) *Maqasid al-Shariah* – the objective of Islamic rulings
- (14) *Zakat* – obligatory alms
- (15) *Mal* – property
- (16) *Riba* – interest charges
- (17) *Gharar* – uncertainties
- (18) *Maysir* – gambling

#### **About the author**

Hanudin Amin holds a PhD in Islamic Banking from the International Islamic University Malaysia. His current position is Associate Professor at Labuan Faculty of International Finance, Universiti Malaysia Sabah. Hanudin Amin is the corresponding author and can be contacted at: [hanudin@ums.edu.my](mailto:hanudin@ums.edu.my)